

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION

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| Providence Property & Casualty Insurance | § | |
| Company and Imperial Casualty and | § | |
| Indemnity Company, | § | CIVIL ACTION NO. 4:07 CV 202 |
| | § | |
| Plaintiffs, | § | |
| | § | |
| vs. | § | Judge Schell/Magistrate Judge Bush |
| | § | |
| Paradyne, Inc. d/b/a Presidion | § | |
| Solutions, IV, Inc., | § | |
| | § | |
| Defendant. | § | |

**DEFENDANT'S ANSWER AND AFFIRMATIVE DEFENSES
TO SECOND AMENDED COMPLAINT**

TO THE HONORABLE JUDGE SCHELL, UNITED STATES DISTRICT JUDGE:

Defendant Paradyne, Inc., d/b/a Presidion Solutions VI, Inc. files this Answer and Affirmative Defenses to Plaintiffs' Second Amended Complaint and states as follows:

PARTIES

1. Defendant is without sufficient knowledge or belief as to the truth of the allegations contained in paragraph 1.
2. Defendant is without sufficient knowledge or belief as to the truth of the allegations contained in this paragraph 2.
3. Defendant admits the first sentence of paragraph 3 to the extent that it is a Florida corporation, denies the second sentence of paragraph 3 that it does business in the State of Texas, and admits the third sentence of paragraph 3.

DEFENDANT'S ANSWER AND AFFIRMATIVE DEFENSES TO SECOND AMENDED COMPLAINT

JURISDICTION AND VENUE

4. Defendant makes no answer to the allegations in paragraph 4 because they are only legal conclusions.

5. Defendant makes no answer to the allegations in paragraph 5 because they are only legal conclusions.

OPERATIVE FACTS

6. Defendant makes no answer to the allegations in paragraph 6 because they are only general conclusions and make no allegations against the Defendant.

7. Defendant admits in paragraph 7 that it was operating as a PEO and did provide worker's compensation to its clients' employees, but denies doing so in the State of Texas.

8. Defendant admits the first sentence in paragraph 8 that it did contact Plaintiffs regarding worker's compensation insurance. Defendant is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in this paragraph.

9. Defendant is unable to answer the allegations contained in paragraph 9 because the document referred to are not attached to the Complaint, and thus they are denied.

10. Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 10.

11. Defendant denies the allegations contained in paragraph 11 because they are untrue.

12. Defendant denies the allegations contained in paragraph 12 because they are untrue.

13. Defendant denies the allegations contained in paragraph 13 because they are untrue.

CAUSES OF ACTION

14. Defendant denies the allegations contained in paragraph 14 because they are untrue.

15. Defendant denies the allegations contained in paragraph 15 because they are untrue.

16. Defendant denies the allegations contained in paragraph 16 because they are untrue.

17. Defendant denies the allegations contained in paragraph 17 because they are untrue, and further states that Plaintiffs fail to show that they are entitled to the relief requested.

REQUEST FOR RELIEF

18. Defendant asks the court to deny the relief requested in paragraph 18 and requests that this Court enter a judgment of no cause of action and award it costs and fees in the full amount allowed by law.

AFFIRMATIVE DEFENSES

19. Defendant affirmatively pleads that Plaintiffs' Second Amended Complaint fails to state a cause of action.

20. Defendant affirmatively pleads that any claims of Plaintiffs are offset by any and all deposits, whether claims collateral deposits, surplus deposits or surplus equity investment, made by the Defendant, or any third party on behalf of Defendant, with Plaintiffs or their affiliates.

21. Defendant reserves the right to allege additional affirmative defenses as they may become known during discovery.

WHEREFORE, PREMISES CONSIDERED, Defendant Paradyne, Inc. d/b/a Presidion Solutions IV, Inc. prays that Plaintiffs take nothing by their suit, that Defendant recover its costs herein expended, and for such further relief, both legal and equitable, to which Defendant may be justly entitled.

Respectfully submitted,

s/ Kent C. Krause

Kent C. Krause

Lead Attorney

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ATTORNEYS FOR DEFENDANT
PARADYME, INC. d/b/a PRESIDION
SOLUTIONS IV, INC.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been forwarded to all interested parties and/or counsel of record listed below in accordance with the Federal Rules of Civil Procedure on this 4th day of March, 2008.

Doug K. Butler, Lead Attorney

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s/ Kent C. Krause

Kent C. Krause